



Agenda

- ▶ Introduction
- ▶ Results
- ▶ Strategy
- ▶ Targets
- ▶ Q & A



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Operating Highlights

6 Months to September 2003

- ▶ Retail sales growth of 32% - Edgars & United Retail 17%, CNA & Super Mart 15%
- ▶ Operating margin of 8,0%
- ▶ Profit from credit and financial services up 129%
- ▶ Headline earnings per share of 501c – up 73%
- ▶ Interim dividend per share of 247c – up 101%
- ▶ Moving annual ROE of 17,6%



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Non-Financial Highlights

6 Months to September 2003

- ▶ Top 3 clothing brands (Edgars, Jet, Sales House) in Sunday Times/Markinor Top Brands survey
- ▶ 19th in Deloitte & Touche “Best Company to Work For” survey
- ▶ Award for Best Reporting and Communication in Industrial-Services category from Investment Analysts Society
- ▶ 6th over 1 year, 15th over 5 years in Sunday Times Top 100 Companies survey
- ▶ Computerweek Strategist and Computer Society of South Africa’s IT Project Masters Award for Innovation 2003



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Financial Highlights

	Sept 2003	Sept 2002	Sept 2001
Headline EPS (cents)	501	290	91
Growth in headline EPS (%)	73	219	10
DPS (cents)	247	123	36
Growth in DPS (%)	101	242	0
Operating Profit to Sales (%)	8,0	8,2	4,0
Financing Costs Cover (times)	14,6	8,7	2,8
Gearing Ratio	(0,02)	(0,23)	0,21
Stock turn (times)	5,0	4,4	3,5
Space reduction to date from March 2000 (%) (excluding RAG, CNA and Super Mart)	12	9	5



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Income Statement

	Sept 2003 Rm	Sept 2002 Rm	% Change
<i>Retail Sales</i>	4 592,2	3 478,3	32
Cost of Sales	(2 821,3)	(2 147,7)	
<i>Gross Profit</i>	1 770,9	1 330,6	
Store Costs	(874,1)	(674,3)	
Other net Operating Costs	(587,2)	(397,3)	
<i>Retail Trading Profit</i>	309,6	259,0	
Credit & Financial Services Profit	59,0	25,8	
<i>Operating Profit before Financing Costs</i>	368,6	284,8	29
Net Financing Costs	(25,3)	(32,7)	
<i>Profit before Taxation</i>	343,3	252,1	
Taxation	(114,0)	(88,3)	
<i>Earnings Attributable to Ordinary Shareowners</i>	229,3	163,8	40
<i>Headline EPS</i>	501	290	73



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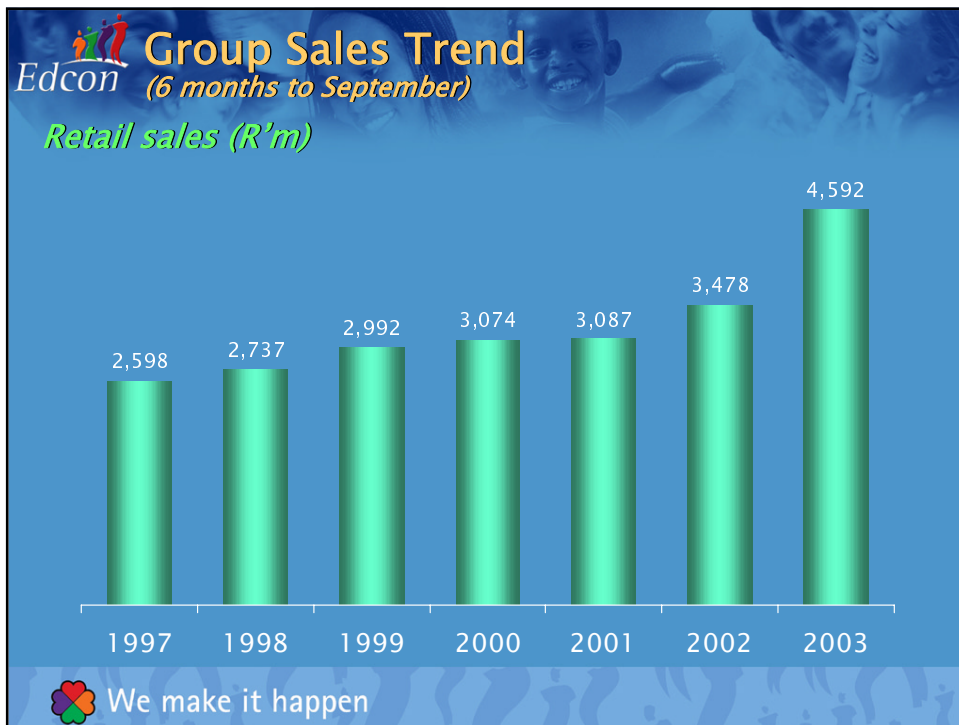


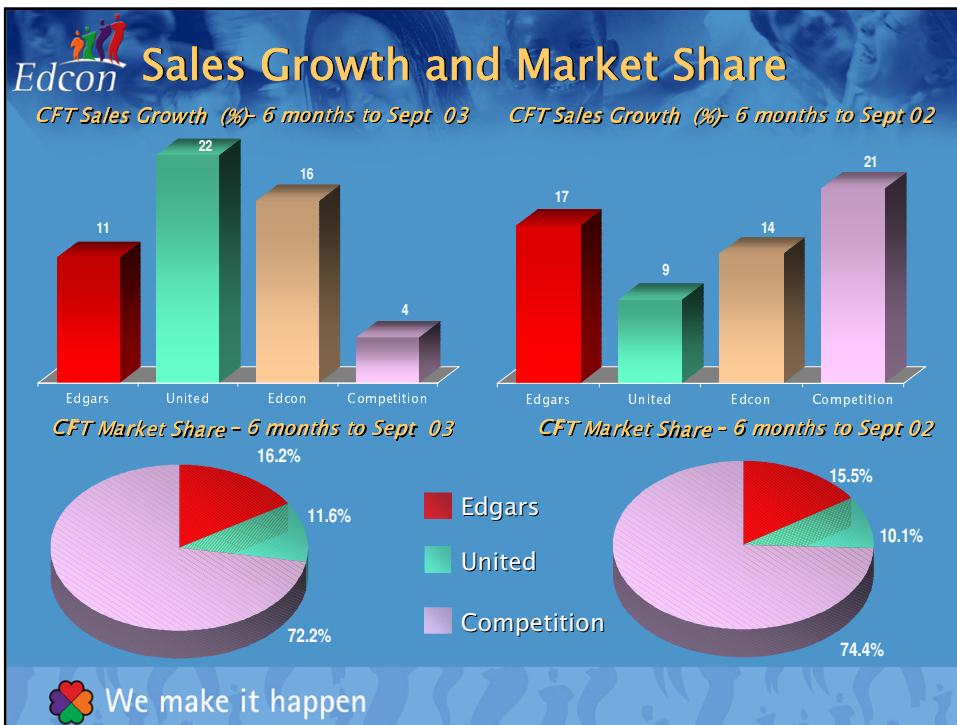
Divisional Analysis of Sales & Trading Space

	Total			CFTA				Cell phones			Stores		Space
	Sept 2003 Rm	Sept 2002 Rm	% Change	% Change	Inflation %	Overall Volumes % Change	Like for Like Volume % Change	Sept 2003 Rm	Sept 2002 Rm	% Change	Sept 2003	Sept 2002	% Growth
Edgars	2 542,7	2 246,3	13	12	5	7	9	143,4	112,2	28	151	150	(2)
United	1 517,4	1 232,0	23	22	1	21	22	158,3	116,7	36	270	279	(1)
Super Mart	186,9											15	
CNA	345,2							45,4				149	
TOTAL	4 592,2	3 478,3	32					347,1	228,9	52	585	429	17



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Edcon Gross Profit Analysis

	% of Sales
GP Margin H1 2004	38,6
GP Margin H1 2003	<u>38,3</u>
Change	<u>0,3</u>
Due to changes in:	
Input margin	(1,2)
Better input margins from existing businesses	0,4
Lower input margins in CNA and Super Mart	(1,6)
Markdowns	0,0
Price breaks	1,2
Rebates	0,3

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Edcon Divisional Analysis of Trading Profit

	Sept 2003 Rm	Sept 2002 Rm	% Change
Retail sales			
Edgars	2 542,7	2 246,3	13
United Retail	1 517,4	1 232,0	23
Super Mart	186,9	-	
CNA	<u>345,2</u>	-	
Group sales	<u>4 592,2</u>	<u>3 478,3</u>	32
Retail trading profit			
Edgars	241,6	208,9	16
United Retail	132,1	44,9	194
Super Mart	(1,0)	-	
CNA	(9,1)	-	
Manufacturing	(18,8)	1,9	
System costs, goodwill amortisation & other	<u>(35,2)</u>	<u>3,3</u>	
Group retail trading profit	<u>309,6</u>	<u>259,0</u>	20

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Edcon Credit Disclosure

	Sept 2003 Rm	Sept 2002 Rm
Cost of credit	(12,1)	(19,6)
Financial services profit	71,1	45,4
Credit & financial services profit (per income statement)	59,0	25,8
Notional financing costs allocated on own debtors	(125,6)	(113,0)
Total cost of credit	(66,6)	(87,2)
Net financing costs (per income statement)	(25,3)	(32,7)
Notional financing receipts allocated	125,6	113,0
Group net financing receipts	100,3	80,3
Total profit / (cost) of financing	33,7	(6,9)

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Edcon Credit Division

	Sept 2003 Rm	Sept 2002 Rm
OntheCards		
Initial discount		(47)
Discount	(39)	(15)
Other income	50	(9)
Net profit (loss)	11	(71)
Nedcor		
	27	(8)
Own book		
Interest from customers	169	169
Net bad debt	(68)	(40)
Doubtful debt provision	(24)	(33)
Release of provision on OtC debtors	-	50
Net profit	77	146
Collection costs	(137)	(122)
Profit from financial services	71	45
Profit on purchase of RAG book	10	36
Net profit	21	105
Credit & financial services profit	59	26

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Edcon Credit Division Statistics

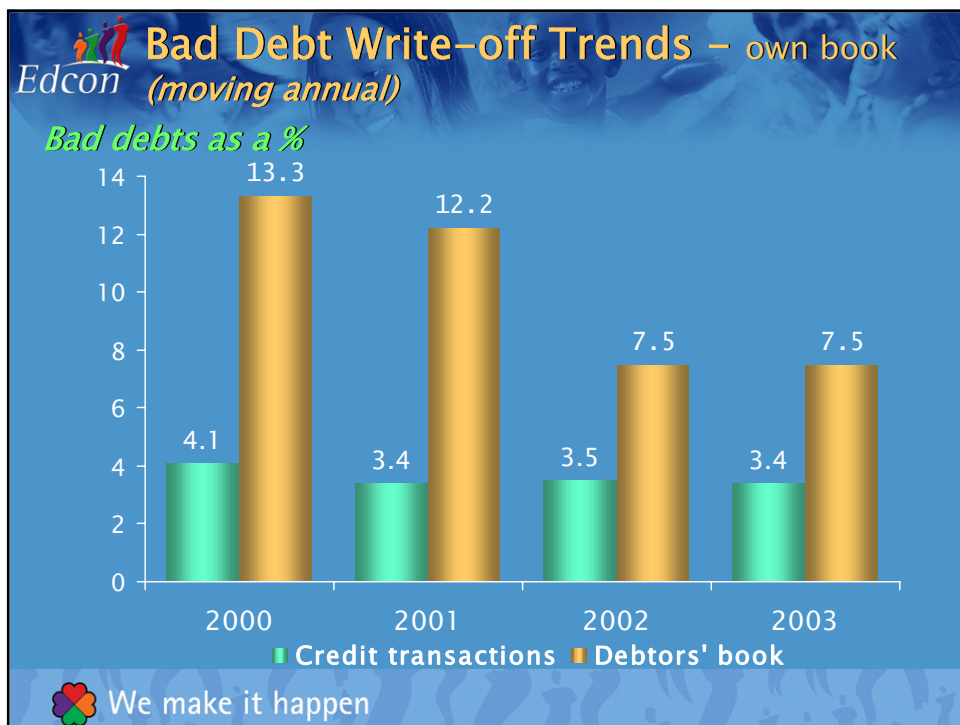
	Sept 2003	Sept 2002
Statistics		
Weighted average Usury rate (%)	28,3	25,2
Growth in credit sales (%)	14,7	13,4
Growth in collections – total book (%)	18,2	6,0
Debtors books – net (Rm)		
Own book	1 508	903
OntheCards / Nedbank	2 369	2 298
Total	3 877	3 201
RAG gross debtors (Rm)		
RAG gross debtors (Rm)	16	312
Less provision	(16)	(149)
	-	163

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Edcon Credit Division Statistics
(moving annual)

	Sept 2003	Sept 2002
Credit sales as % of total sales	60	66
Number of active accounts (000)	3 316	2 757
Net write off to debtors balances % (inc. VAT) – own book	7,5	7,5
Net bad debt write-off to credit transactions % (inc. VAT) – own book	3,4	3,5
Doubtful debt provision as % of debtors (exc. RAG)	7,0	7,8
% Able to purchase	87	86

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Analysis of Operating Profit

	Sept 2003 Rm	Sept 2002 Rm	% Change
Retail sales	4 592,2	3 478,3	32
Gross profit	1 770,9	1 330,6	33
Store expenses	(874,1)	(674,3)	30
Club and allied	64,6	55,9	16
Chain management expenses	(144,3)	(102,5)	41
Chain direct profit	817,1	587,9	39
Credit & financial services	59,0	25,8	129
Systems	(259,4)	(206,5)	26
Human resources costs	(61,9)	(44,0)	41
Other head office costs	(167,4)	(80,3)	108
Manufacturing division	(18,8)	1,9	
Operating profit	368,6	284,8	29



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Analysis of Selected Operating Costs


	Sept 2003 Rm	Sept 2002 Rm	% Change
Store expenses	874,1	674,3	30
Existing chains	735,1	674,3	9
CNA & Super Mart	139,0		
Chain management expenses	144,3	102,5	41
Existing chains	112,3	102,5	10
CNA & Super Mart	32,0		
Systems	259,4	206,5	26
Existing chains	217,0	206,5	5
CNA & Super Mart	42,4		
Other head office costs	167,4	80,3	109
Main items contributing to increase			
Profit share	42,4	12,0	
Leave pay top-up	12,7	6,0	
Goodwill	8,1	0,0	
Other	27,6	0,0	



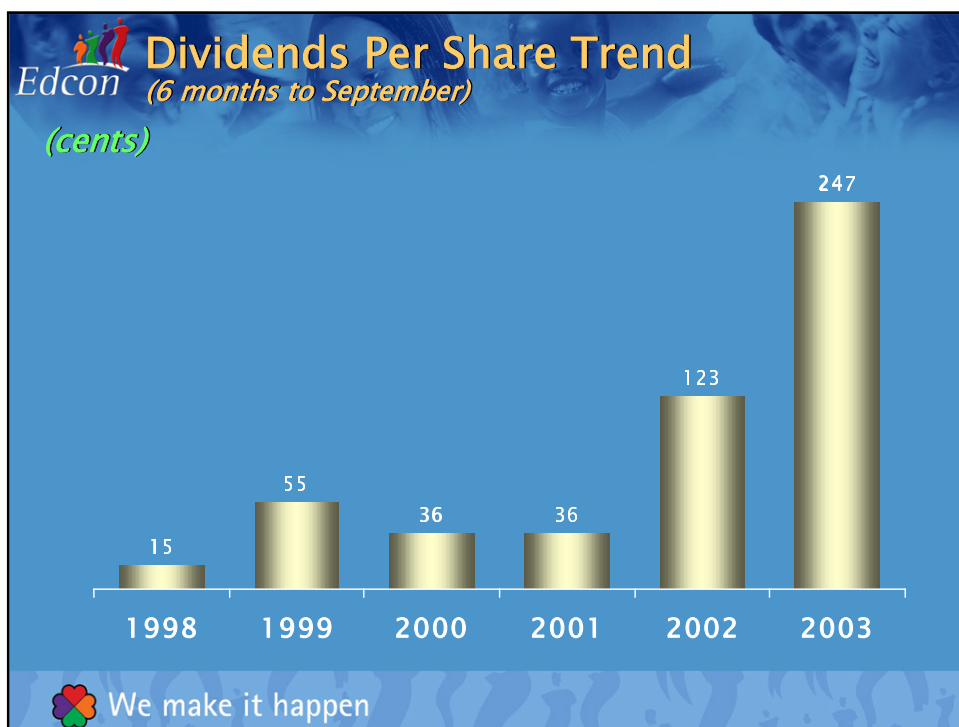
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Edcon **Reconciliation of Headline Earnings**

	Sept 2003 Rm	Sept 2002 Rm
Group attributable earnings	229,3	163,8
Plus: loss on disposal of fixed assets net of taxation	1,3	7,9
Less: recognition of discount on acquisition of RAG assets net of taxation	(6,9)	(23,4)
Plus: goodwill amortised	8,1	-
Headline earnings	231,8	148,3
Earnings per share (cents)	495	320
Headline earnings per share (cents)	501	290

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Edcon **Consolidated Cash Flow Statement**


	Sept 2003 Rm	Sept 2002 Rm
<i>Cash retained from operating activities</i>		
Operating profit	364,5	282,4
Depreciation, amortisation & impairment	117,3	98,3
Dividends received	4,1	2,4
Other non-cash items	(8,8)	(23,6)
<i>Cash "EBITDA"</i>	<u>477,1</u>	<u>359,5</u>
Working capital requirements (*Note 1)	(110,3)	183,7
<i>Cash generated from operating activities</i>	<u>366,8</u>	<u>543,2</u>
Net financing costs paid	(25,3)	(32,7)
Taxation paid	(210,7)	(32,1)
<i>Cash inflow from operations</i>	<u>130,8</u>	<u>478,4</u>
Dividends paid	(85,0)	(42,0)
<i>Net cash retained</i>	<u>45,8</u>	<u>436,4</u>
Cash utilised in / generated from investment activities	(161,9)	507,1
<i>Cash effects of financing activities</i>		
Increase / (decrease) in shareowner funding	51,6	(44,6)
Decrease in interest bearing debt	(94,4)	(365,8)
<i>Net cash outflow from financing activities</i>	<u>(42,8)</u>	<u>(410,4)</u>
<i>Decrease in cash and cash equivalents</i>	<u>(158,9)</u>	<u>533,1</u>
<i>*Note 1: Inventories</i>	(101,2)	53,8
Accounts receivable / prepayments	(350,2)	(162,1)
Accounts payable	341,1	292,0

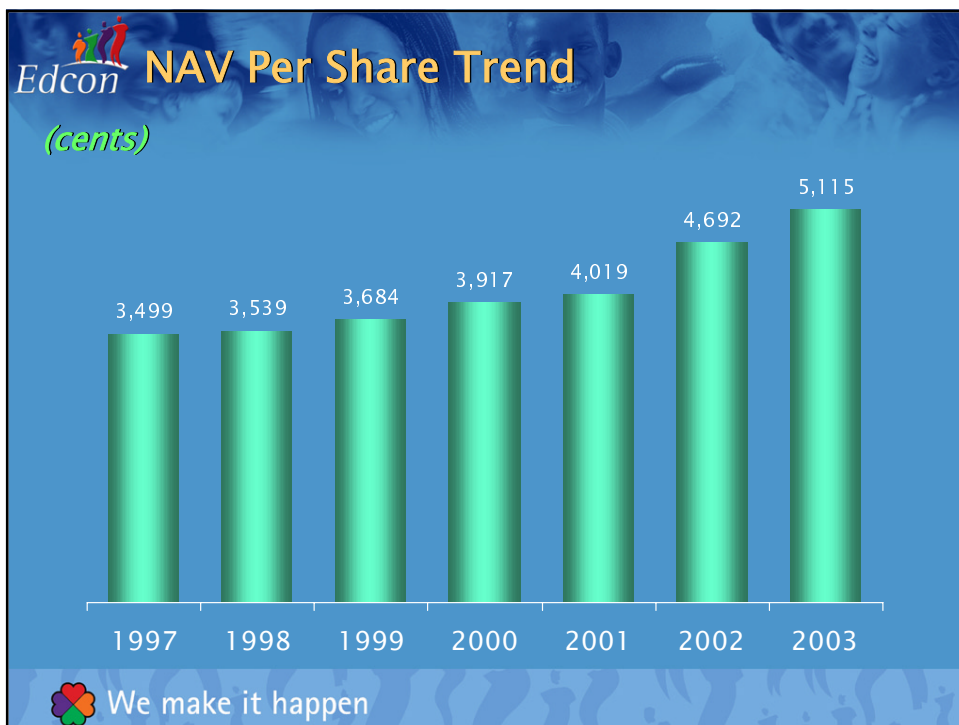
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 Investment Activities	Sept 2003 Rm	Sept 2002 Rm
Increase in property, plant & equipment	(137,6)	(29,5)
Acquisitions	-	(256,1)
Net proceeds of securitisation	-	798,3
Other	(24,3)	(5,6)
Net cash invested	(161,9)	507,1

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 Balance Sheet	Sept 2003 Rm	Sept 2002 Rm
Assets		
Non current assets		
Properties, fixtures etc	715,3	760,0
Goodwill	95,4	(16,0)
Investments	400,0	413,9
Other	114,8	81,6
Total non-current assets	<u>1 325,5</u>	<u>1 239,5</u>
Current assets		
Inventories	1 285,4	938,7
Accounts receivable & prepayments	1 879,6	1 268,1
Cash & cash equivalents	136,1	749,6
Total current assets	<u>3 301,1</u>	<u>2 956,4</u>
Total assets	<u>4 626,6</u>	<u>4 195,9</u>
Equity & liabilities		
Capital & reserves		
Ordinary shareowners' equity	2 379,6	2 379,3
Minority interest	0,6	0,3
Total shareowners' equity	<u>2 380,2</u>	<u>2 379,6</u>
Interest bearing debt	89,0	204,7
Total capital employed	<u>2 469,2</u>	<u>2 584,3</u>
Interest free liabilities		
Current	2 119,2	1 431,2
Deferred taxation	38,2	180,4
Total interest free liabilities	<u>2 157,4</u>	<u>1 611,6</u>
Total equity & liabilities	<u>4 626,6</u>	<u>4 195,9</u>
Gearing	(0,02)	(0,23)
Net equity per share (cents)	5 115	4 692

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Brand Survey: Top 10 Clothing Stores


	Household Income (monthly)					
	Total	Low		Middle		High
		<R1200	R1200- R2999	R3000- R6999	R7000- R9999	R10000+
Edgars	59	49	55	72	77	80
Jet	49	54	49	49	45	29
Sales House	42	52	47	37	20	8
Pep Stores	42	52	47	37	20	8
Mr Price	33	27	31	35	46	49
Woolworths	32	20	25	46	56	62
Ackermans	27	26	28	28	33	26
Foschini	26	17	24	35	38	40
Truworths	26	17	22	30	43	50
Markhams	20	14	18	25	31	26


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Edcon Brand Survey: Top 10 Clothing Stores

	Age Group				
	Total	16 – 24	25 – 34	35 – 49	50+
Edgars	59	64	68	60	44
Jet	49	54	51	52	37
Sales House	42	38	41	43	43
Pep Stores	39	34	35	39	46
Mr Price	33	37	37	35	21
Woolworths	32	28	36	34	31
Ackermans	27	23	30	28	29
Foschini	26	25	33	29	17
Truworhs	26	29	36	23	14
Markhams	20	24	23	21	9


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- Edcon** Areas to Clarify
- ▶ Progress on CNA and Super Mart
 - ▶ Edcon's acquisition strategy
 - ▶ Impact of share options
 - ▶ Sustainability of retail cycle
 - ▶ Clothing and footwear inflation
 - ▶ Impact of rand strength
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Progress–Super Mart

- ▶ **What was done in H1 FY 2004?**
 - 4 new stores opened
 - New departments introduced
 - Confectionery
 - Health & Hygiene
 - Cell phones & airtime
 - Photographic equipment
 - Outsourced some distribution to Edcon
- ▶ **What still needs to be done?**
 - Implement Arthur planning and Retek systems
 - Integration into Edcon's support infrastructure
 - Open new stores




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Progress–CNA

- ▶ **What was done in H1 FY 2004?**
 - Converted to Edcon suite of systems
 - Extended use of Edcon cards across all stores
 - Restructured and repopulated merchandise division
 - Large scale training of new personnel
 - Rebuilt credibility with suppliers
 - Introduced new product strategy
 - Introduced new pricing strategy
 - Renegotiated all rentals
- ▶ **What still needs to be done?**
 - Absorption and conversion of 35 This Day stores
 - Complete update of store layouts and painting stores
 - Complete relaunch of all product groups with price point emphasis
 - Centralise children's products

Relaunch CNA during the Christmas period



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Progress–CNA (continued)

- ▶ Improvements since acquisition (Sept 2003 vs Sept 2002)
 - Trading density up by 23%
 - Stock turn up to 2,7x from 1,9x
 - Cost of selling declined to 27,3% of sales from 37,3% of sales
 - Sales per employee up by 14%



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Acquisition Strategy

- ▶ Key factors :
 - Retail, non-food
 - Extension of financial services
 - Leverage off existing infrastructure
 - Utilise core competencies
 - Generate adequate rates of return within 3 years
 - Reasonably priced
- ▶ All acquisitions are researched extensively
- ▶ Impact of acquisitions will be incremental to existing businesses
- ▶ No acquisition will be done that could put the core businesses at risk



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Growth Strategy–Edgars

- ▶ Store openings and refurbishments in H2:
 - ▶ 6 Edgars stores
 - ▶ 4 Red Square stores
 - ▶ 3 refurbishments } Capex – R98m
- ▶ New business opportunities:
 - ▶ Upmarket clothing ranges (extension of Charter Club)
 - ▶ Increased outsize ranges
 - ▶ Kitchenware and home décor products
- ▶ New initiatives to leverage information and improve merchandise management
- ▶ Improve knowledge, skills, motivation of staff



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Growth Strategy–United Retail

- ▶ Store openings and refurbishments in H2:
 - ▶ 13 new stores
 - ▶ 45 refurbishments } Capex – R69m
- ▶ Brand consolidation
- ▶ Focus on category dominance in Childrenswear, Footwear, Denim
- ▶ Improve peak load capacity management



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Growth in FY 2004

- ▶ Interest rates of 12% lowest since 1986
- ▶ Food inflation declining (4,2% in September 2003 vs 20,2% in September 2002)
- ▶ Sales growth in H2 at slower rate than in H1 (CNA and Super Mart in base)
- ▶ Operating margin expansion potential in core chains
- ▶ CNA and Super Mart earn bulk of profits in H2
- ▶ 10% fewer shares in issue
- ▶ Strong earnings growth for FY 2004



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3 Year Outlook

- ▶ Continued steady sales growth from Edgars and United Retail chains
- ▶ Turnaround of CNA and Super Mart
- ▶ Trading space increasing with new / existing formats
- ▶ Operating efficiencies to continue
- ▶ Costs to remain tightly controlled
- ▶ New organic growth areas within existing chains
- ▶ Acquisition opportunities will be explored



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Edcon 3-Year Sales Targets


	FY 2003 Rm	FY 2006 Rm
Edgars	4 800	6 800
United Retail	2 900	4 000
Super Mart	183	900
CNA	390	1 200
Other?	-	-
Total	8 300	12 900

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Edcon 3 Year Targets – Group


	Target	FY 2003	FY 2002
ROE	20%	15,5%	7,5%
Retail Sales	R13bn	R8,3bn	R6,7bn
Gross profit margin	40%	38,6%	36,4%
Operating profit margin	10%	7,4%	4,9%
Stock turn	5,5x	4,7x	3,8x


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Key Messages


- ▶ Edcon is back to being the dominant player in the CFTA market
- ▶ Sustainable business practices are in place across all chains to take the company forward
- ▶ Ample opportunities exist to improve and grow the existing business
- ▶ The group is financially strong and well positioned to make further acquisitions
- ▶ There is depth of management across Edcon
- ▶ There is focus on developing leaders at all levels of the business

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Questions?

 Edgars
 




 Manufacturing Division

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